

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-208-C

In Re:)	
Application of Norlight)	
Telecommunications, Inc.)	
for a Certificate of Public Convenience)	
and Necessity to Provide Resold and)	SETTLEMENT AGREEMENT
Facilities-Based Local Exchange and)	
Interexchange Telecommunications)	
Services in the State of South Carolina)	

This Settlement Agreement (“Settlement Agreement”) is made by and among the Office of Regulatory Staff (“ORS”) and Norlight Telecommunications, Inc. (“Norlight” or “the Company”) (collectively referred to as the “Parties” or sometimes individually as “Party”);

WHEREAS, on May 20, 2008, Norlight filed its Application requesting (i) a Certificate of Public Convenience and Necessity be granted authorizing Norlight to provide resold and facilities-based local exchange and interexchange telecommunications services throughout the State of South Carolina; (ii) alternative regulation of its interexchange services, pursuant to S.C. Code Ann. § 58-9-585; (iii) flexible regulation for its local exchange telecommunications services consistent with Order No. 98-165 in Docket No. 97-467-C; (iv) waiver of certain regulations of the Public Service Commission of South Carolina (“Commission”), specifically Regulations 103-610 regarding location of records, 103-612.2.3 for operating maps and 103-631 concerning publishing and distributing local exchange directories; and (v) a waiver of any

requirement to maintain financial records in conformance with the Uniform System of Accounts (“ASOA”);

WHEREAS on June 2, 2008, the Commission issued a Notice of Filing and Hearing and established a return date of July 3, 2008, for the filing of letters of protest or petitions to intervene and established a hearing date of August 25, 2008 for the application to be heard before a hearing examiner;

WHEREAS, on July 2, 2008, the South Carolina Telephone Coalition (“SCTC”) filed a Petition to Intervene in this docket;

WHEREAS, on June 13, 2008, the Commission issued its Order No. 2008-412 by which the Commission appointed David Butler, Esquire as the Hearing Examiner in this matter;

WHEREAS, on July 29, 2008, the SCTC filed with the Commission a Stipulation between the SCTC and Norlight;

WHEREAS, on July 16, 2008, Norlight pre-filed the direct testimony of Bob Rogers with the Commission;

WHEREAS, the purpose of this proceeding is to review the application filed by Norlight and its requests (i) for a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange and interexchange telecommunications services within the State of South Carolina; (ii) for alternative regulation of its interexchange services (iii) for flexible regulation for its local exchange telecommunications services (iv) for waiver of certain of the Commission Regulations, specifically Regulations 103-610 regarding location of records, 103-612.2.3 for operating maps and 103-631 concerning publishing and distributing local exchange directories; and (v) for waiver of any requirement to maintain financial records in conformance with the USOA;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical, managerial, and financial expertise of Norlight to provide the services requested in the Application;

WHEREAS, ORS has reviewed the Application and the financial data provided by Norlight, and ORS has calculated certain performance ratios based upon information provided by the Norlight;

WHEREAS, ORS has investigated the services to be offered by Norlight and its intended customer service plans;

WHEREAS, ORS has reviewed the proposed tariffs submitted by Norlight;

WHEREAS, ORS has reviewed the pre-filed testimony of Bob Rogers;

WHEREAS, as a result of its investigations, ORS has determined (a) Norlight intends to offer resold and facilities-based local and long-distance telecommunications services, and will provide leased capacity, private line, and dedicated local transport; (b) the officers of Norlight possess sufficient technical and managerial abilities to adequately provide the services applied for; (c) based upon the information provided and the analysis performed, Norlight appears to have access to sufficient financial resources necessary to provide the services proposed in its application; (d) Norlight's proposed tariffs comply with Commission statutes and regulations; (e) the provision of services by Norlight will not adversely impact the availability of affordable telecommunications services; (f) to the extent it is required to do so by the Commission, Norlight will participate in the support of universally available telephone service at affordable rates; and (g) the provision of local exchange and interexchange services by Norlight will not adversely impact the public interest;

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1) The Parties agree that Norlight's Application and exhibits to the Application are incorporated into this Settlement Agreement and made a part hereof;

2) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed testimony of Norlight's witness Bob Rogers without cross-examination by ORS;

3) Norlight has submitted financial data, which was provided as Exhibit 4 to Norlight's Application and which was granted Protective Treatment by Commission Hearing Examiner Directive dated June 25, 2008 and which financial data is incorporated by reference;

4) The Parties agree that Norlight should be granted a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange and interexchange telecommunications services within the state of South Carolina;

5) Norlight has requested a waiver of 26 S.C. Code Ann. Regulation 103-610 concerning the location of books and records. However, S.C. Code Ann. §58-9-380 (Supp. 2006) provides that:

Each telephone utility shall have an office in one of the counties of this State in which its property or some part thereof is located and shall keep in such office all such books, accounts, papers and records as shall reasonably be required by the Office of Regulatory Staff. No books, accounts, papers or records required by the ORS to be kept within the State shall be removed at any time from the State except upon such conditions as may be prescribed by the Office of Regulatory Staff.

ORS is agreeable to allowing Norlight to maintain its books and records outside of the State of South Carolina in exchange for Norlight agreeing to provide ORS access to its books and records. ORS is agreeable to Norlight maintaining its books and records at its offices in the State of Kansas, and Norlight agrees to notify ORS of any change in the location of the principal office or in the location where the books and records are maintained. This provision of the Settlement Agreement shall not be construed as a waiver by ORS of S.C. Code Ann. § 58-4-55 (Supp. 2006) or § 58-9-1070 (Supp. 2006). ORS expressly reserves its rights to require the production of books, records and other information located within or outside of the State of South Carolina in order to carry out its duties in compliance with any state or federal regulation;

6) ORS does not oppose Norlight's request for waiver of 26 S.C. Code Ann. Regulation 103-631 which requires the publication and distribution of directories, and Norlight agrees to make arrangements with publishers of local directories in South Carolina to include the names and telephone numbers of Norlight's subscribers and customers in local directories, unless a subscriber indicates his/her desire for an unpublished telephone number;

7) Norlight has requested a waiver of any rule or regulation that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). Norlight acknowledges that S.C. Code Ann. § 58-9-340 (Supp. 2006) provides that the ORS may, in its discretion and subject to the approval of the Commission, prescribe systems of accounts to be kept by telephone utilities subject to the commission's jurisdiction and that the ORS may prescribe the manner in which the accounts shall be kept and may require every telephone utility to keep its books, papers, and records accurately and faithfully according to the system of accounts as prescribed by the ORS. Norlight agrees to keep its books, papers, and records in such a manner that permits ORS to audit the company's South Carolina revenues and

expenses for compliance with programs such as but not limited to the Universal Service Fund (“USF”) and the Interim LEC Fund, dual party relay service fund, and gross receipts. Norlight agrees to complete the reporting forms for such programs as may be required by the ORS of telecommunications companies certificated to operate within South Carolina and as the reporting forms may be amended from time to time;

8) ORS does not oppose the Company’s request for waiver of 26 S.C. Code Ann. Regulation 103-612.2.3 which requires the filing of operating area maps;

9) ORS does not oppose Norlight’s requests (a) for flexible regulation for its local telecommunications service offerings consistent with Order No. 98-165 in Docket No. 97-467-C, such flexible regulation including specifically (i) adoption of a competitive rate structure incorporating maximum rate levels with the flexibility for rate adjustment below the maximum rate levels and (ii) presumptively valid tariff filings upon filing subject to an investigation of such tariff filing being instituted within thirty (30) days and (b) for alternative regulation of its interexchange service offerings consistent with the procedures described and set forth in Orders 95-1734 and 96-55 in Docket No. 96-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C, specifically (i) regulation of these services listed above in the same manner as these services are regulated of AT&T Communications of the Southern States, Inc., (ii) removal of the maximum rate tariff requirements for Norlight’s business services, private line, and customer network-type offerings, except in instances governed by Order No. 2001-997 which reinstituted maximum rates for surcharges and rates associated with certain intrastate operator-assisted calls; (iii) presumptively valid tariff filings for these interexchange services unless an investigation of a particular filing is instituted within seven (7) days, in which case the tariff filing will be suspended until resolution of the investigation or until further order of the Commission; and (iv)

grant Norlight the same treatment as AT&T Communications of the Southern States, Inc. in connection with any future relaxation of reporting requirements;

10) Norlight agrees to resell the services only of those local exchange providers or interexchange carriers authorized to do business in South Carolina by the Commission;

11) Norlight agrees that it will allow an end-user of resold services to access an alternative interexchange carrier or operator service provider if the end-user expresses such a desire;

12) Norlight agrees to file necessary financial information with the Commission and ORS for universal service fund reporting, dual party relay service fund reporting, interim LEC fund reporting, annual reporting, gross receipts reporting, and/or any other reporting which may now or in the future be applicable to telecommunications providers such as Norlight. The Parties agree that such reports shall be filed pursuant to ORS' instructions and monies shall be remitted in accordance with the directions of the ORS and the Commission.

13) Norlight agrees to maintain its books and records in a manner that would permit ORS to discern Norlight's South Carolina operations in any of the company's reports filed with the Commission and provided to ORS.

14) Norlight agrees to file with the Commission and ORS a completed authorized utility representative forms within thirty (30) days of the Commission's order.

15) In the event that Norlight intends to offer prepaid calling card services in the future, Norlight agrees that it shall not do so until it obtains Commission approval and post a surety bond in the amount of \$5,000 as required by the Commission;

16) In the event that Norlight offers local and long distance services to end users, Norlight agrees to comply with the verification regulations governing change of preferred

carriers as established by Federal Communications Commission ("FCC"). In addition, in the event that Norlight offers local and long distance services to end users, Norlight agrees to comply with the marketing practices and guidelines established by the Commission in Order No. 95-658;

17) Norlight agrees to comply with South Carolina Code Section § 58-9-300 entitled "Abandonment of Service." Additionally, to the extent applicable, Norlight agrees to adhere to the FCC's rule 47 C.F.R. § 64.1190 and 64.1130 regarding preferred carrier freezes and the requirement that the form of the written authorization for the institution of the freeze be a separate or easily separable document. Prior to abandonment of service, Norlight shall remove any preferred carrier freeze so as to enable consumers to seamlessly transfer their telephone numbers to another provider;

18) To the extent necessary, Norlight agrees to engage in good faith negotiations with non-BellSouth incumbent local exchange carriers whose networks interconnect with BellSouth at the same local tandem regarding traffic exchange;

19) It is understood and agreed that Norlight will not initially offer or provide any service that would implicate Title 23, Chapter 47 of the South Carolina Code Annotated regarding "Public Safety Communications Centers," but in the event that Norlight in the future offers or provides a service to which Title 23, Chapter 47 of the South Carolina Code regarding "Public Safety Communications Centers," also known as 911 services, Norlight agrees to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a "Public Safety Communications Center," also known as 911 services." At that time, Norlight agrees to contact the appropriate authorities regarding 911 services in the counties and cities where Norlight will be operating prior to initiating local

service in South Carolina and shall provide the 911 coordinator in each county and/or city with information regarding Norlight's operations. Attached as Exhibit 1 to this Settlement Agreement is a memorandum from the State 911 Office which provides contact information for the County 911 Coordinators;

20) Norlight agrees to comply with all rules and regulations of the Commission unless the Commission has expressly waived such rule or regulation;

21) Norlight agrees to file a final tariff with both the ORS and the Commission.

22) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10 (B). S.C. Code § 58-4-10(B)(1) through (3) read in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

23) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and that the Commission take no action inconsistent with its adoption. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the

Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

24) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation.

25) This Settlement Agreement shall be interpreted according to South Carolina law.

26) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

Representing the Office of Regulatory Staff

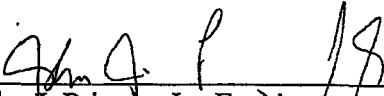


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08/18/08
Date

WE AGREE:

Representing Norlight Telecommunications, Inc.



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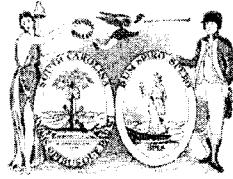
8/18/08
Date

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF RESEARCH & STATISTICS

MARK SANFORD, CHAIRMAN
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GRADY L. PATTERSON, JR.
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1000 ASSEMBLY STREET, SUITE 425
COLUMBIA, SOUTH CAROLINA 29201

Bobby Bowers
DIRECTOR

EXHIBIT 1

August 2, 2004

To: Telephone Companies New to South Carolina

In an effort to continue providing quality emergency services to the citizens of South Carolina, the State 911 Office requests that before beginning telephone services in a county, you contact the 911 Coordinator in that county. This will allow both parties to obtain important information about providing 911 services in that county. If you have already begun services, then contact the coordinator as soon as possible.

A list of County 911 Coordinators can be found on the South Carolina E911 homepage at www.ors.state.sc.us/digital/E-911.ASP. If you have any questions related to 911 in South Carolina, you may contact E911 Coordinations at the Office of Research and Statistics at 803-734-3883. The person responsible for this can also be found on the 911 homepage. Please be aware that some cities may have their own E911 systems, these are also listed on the 911 homepage. These city coordinators will need to be contacted in addition to the county coordinators.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-208-C

IN RE:)	
Application of Norlight Telecommunications, Inc.)	CERTIFICATE OF
for a Certificate of Public Convenience and)	SERVICE
Necessity to Provide Resold and Facilities-Based)	
Local Exchange and Interexchange)	
Telecommunications Services throughout South)	
Carolina, for Flexible Regulation of Its Local)	
Exchange Services and Alternative Regulation of)	
Its Long Distance Offerings)	

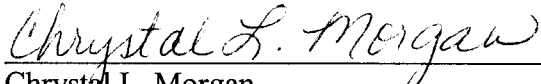
This is to certify that I, Chrystal L. Morgan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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Columbia, SC, 29202

Margaret M. Fox, Esquire
McNair Law Firm
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Norlight Telecommunications, Incorporated
8829 Bond Street
Overland Park, KS, 66214



Chrystal L. Morgan

August 19, 2008
Columbia, South Carolina